AMENDED IN SENATE APRIL 28, 2009 AMENDED IN SENATE APRIL 15, 2009

SENATE BILL

No. 442

Introduced by Senator Ducheny

(Coauthor: Senator Wiggins)
(Coauthors: Assembly Members Block, Chesbro, and Monning)

February 26, 2009

An act to amend Sections 1200, 1213, 1214, 1219, 1229, and 1266 of, and to add Section 1212.5 to, the Health and Safety Code, relating to clinics.

LEGISLATIVE COUNSEL'S DIGEST

SB 442, as amended, Ducheny. Clinic corporation: licensing.

Under existing law, the State Department of Public Health is responsible for the licensing and regulation of clinics, as defined. A violation of these provisions is a crime.

This bill would define "clinic corporation" as a nonprofit organization that owns one or more primary care clinics, *or mobile health care units* as defined, and would provide for a single, consolidated license for corporation clinics, as specified.

Existing law provides for a fee to be paid for an initial license, renewal license, license upon change of ownership, or special permit set at specified amounts.

This bill would require the department to annually set the fee for a clinic corporation. The bill would also make conforming changes to the licensing provisions. Because this bill would create a new crime, it imposes a state-mandated local program.

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The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 1200 of the Health and Safety Code is amended to read:

1200. (a) As used in this chapter, "clinic" means an organized outpatient health facility that provides direct medical, surgical, dental, optometric, or podiatric advice, services, or treatment to patients who remain less than 24 hours, and that may also provide diagnostic or therapeutic services to patients in the home as an incident to care provided at the clinic facility. Nothing in this section shall be construed to prohibit the provision of nursing services in a clinic licensed pursuant to this chapter. In no case shall a clinic be deemed to be a health facility subject to the provisions of Chapter 2 (commencing with Section 1250). A place, establishment, or institution that solely provides advice, counseling, information, or referrals on the maintenance of health or on the means and measures to prevent or avoid sickness, disease, or injury, where that advice, counseling, information, or referral does not constitute the practice of medicine, surgery, dentistry, optometry, or podiatry, shall not be deemed a clinic for purposes of this chapter.

- (b) For purposes of this chapter:
- (1) "Primary care clinics" means all the types of clinics specified in subdivision (a) of Section 1204, including community clinics and free clinics.
- (2) "Specialty clinics" means all the types of clinics specified in subdivision (b) of Section 1204, including surgical clinics, chronic dialysis clinics, and rehabilitation clinics.
- (3) "Clinic corporation" means a nonprofit organization that operates one or more primary care clinics, as defined in paragraphs (1) and (2) paragraph (1) of subdivision (a) of Section 1204, that are required to be licensed under Section 1205, that may include

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one or more mobile health care units required to be licensed or approved pursuant to the Mobile Health Care Services Act (Chapter 9 (commencing with Section 1765.101)) and operated as primary care clinics, or one or more primary care clinics and one or more mobile health care units.

- (4) "Department" means the Licensing and Certification Division of the State Department of Public Health, or its successor. SEC. 2. Section 1212.5 is added to the Health and Safety Code, to read:
- 1212.5. (a) Upon application of a clinic corporation that operates more than one primary care clinic, as defined in paragraphs (1) and (2) paragraph (1) of subdivision (a) of Section 1240 1204, the department shall issue a single consolidated license to the clinic corporation if the clinics included in the single consolidated license application meet the requirements of Section 1212 and other applicable requirements for licensure.
- (b) In addition to primary care clinics, as described in subdivision (a), a clinic corporation may include, in its application for a single consolidated license, one or more mobile health care units that meet the requirements under the Mobile Health Care Services Act (Chapter 9 (commencing with Section 1765.101)).
- (c) Upon application of a clinic corporation that operates more than one mobile health care unit and only operates mobile health care units, the department shall issue a single consolidated license to the clinic corporation if the mobile health care units included in the single consolidated license application meet the requirements under the Mobile Health Care Services Act (Chapter 9 (commencing with Section 1765.101)).
- (d) Eligibility for a single consolidated license shall be based on the following criteria:
- (1) The clinic corporation applying for the consolidated license is required to have held a valid, unrevoked, and unsuspended license for, at a minimum, the immediately preceding five years, with no demonstrated history of repeated or uncorrected violations of this chapter, or any regulation adopted pursuant to this chapter, that pose immediate jeopardy to a patient, as defined in subdivision (d) of Section 1218.1, and have no pending action to suspend or revoke its license.

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1 (2) A completed application for a single consolidated license 2 has been submitted and the associated license fee has been paid. 3

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(3) The corporate officers, as specified in Section 5213 of the Corporations Code, are the same for each primary care clinic or mobile unit included in the single consolidated license.

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(4) The clinic corporation's nonprofit board of directors both owns and operates each primary care clinic or mobile unit included in the single consolidated license.

(5) The clinic corporation has submitted evidence to the department establishing compliance with the minimum construction standards of adequacy and safety for physical plant, pursuant to subdivision (b) of Section 1126 1226, for each primary care clinic included in the single consolidated license.

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- (6) There are one or more medical directors operating under a single set of policies, procedures, and standards for all the primary care clinics and mobile health care units maintained and operated by the licensee.
- (e) A single consolidated license issued by the department shall specify the name, location, hours of operation, and services of each clinic included in the license.

(e)

(f) For purposes of this section there is a presumption that all primary care clinics included in the application for the single consolidated license that are separately licensed and in good standing at the time of application for a single consolidated license, meet the requirements of subdivision (a) and paragraph (4) (5) of subdivision (d).

(f)

(g) For purposes of this section there is a presumption that all mobile units included in the application for the single consolidated license that are separately licensed or approved by the department and in good standing at the time of application for a single consolidated license, meet the requirements of subdivision (b).

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39 (h) The department shall issue a single consolidated license under this section within 30 days of receipt of a completed 40

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application or within seven days of the date the central application unit approves the application for a single consolidated license, whichever is sooner. If the department determines that an applicant does not meet the criteria for a single consolidated license as set forth in subdivision (d), it shall identify, in writing and with particularity, the grounds for that determination and shall, instead, process the application under this chapter as if the application was submitted on the date the denial was released of the consolidated license was issued.

(h)

(i) Upon application to the department, a clinic corporation that is issued a single consolidated license pursuant to this section may add a clinic, including a mobile health care unit, to the single consolidated license, or remove a clinic, including a mobile health care unit, from the single consolidated license, at any time during the license period. For every primary care clinic or mobile health care unit added to the single consolidated license before the next renewal date, the clinic corporation shall pay a license fee, if applicable, equivalent to the fee for one primary care clinic included in a single consolidated license set pursuant to subdivision (d) of Section 1266, prorated based on the effective date of the addition of the clinic.

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- (j) The department shall develop a single-page application form for adding *or removing* a clinic between renewal periods that includes all of the following information:
 - (1) The name and address of the clinic corporation.
- (2) The name and address of the clinic or mobile health unit to be added or removed.
- (3) The days and hours of operation and the services provided at each clinic site added.
- (4) A self-attestation that each clinic site added meets the requirements of Section 1212, including minimum construction standards for adequacy and safety of physical plant, pursuant to subdivision (b) of Section 1226.
 - (5) Evidence of appropriate and sufficient fire clearance.

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(k) A clinic corporation that is issued a single consolidated license may consolidate the administrative functions, as specified

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in Section 1218.2, for all clinics that are subject to the single 2 consolidated license.

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(1) Upon written notice to the department, a clinic corporation that has been issued a single consolidated license may apply for one or more special permits pursuant to Section 1202. A clinic corporation that is issued one or more special permits may transfer, with approval from the department, the special permits from one clinic site to another site that is included in the single consolidated license.

(l)

(m) The department shall transmit to the clinic corporation that is issued a single consolidated license a renewal fee invoice at least 45 days prior to the expiration date of the single consolidated license. Failure by the clinic corporation to make timely payment of the renewal fee shall result in the expiration of any licenses its consolidated license and special permits. Timely application for renewal shall be deemed equivalent to renewal of the license and special permits, if any, where the department is unable to issue a renewal license or special permit on or before the expiration date.

(n) If the department issues a single consolidated license pursuant to this section, the department, except as limited by Section 1229 and Article 5 (commencing with Section 1240), may take any action authorized by this chapter, including, but not limited to, action specified in Article 5 (commencing with Section 1240 with respect to a primary care clinic, a mobile health care unit, or special services provided in a clinic that is included in the consolidated license. An action against one or more clinics included in the consolidated license shall not be deemed an action against the clinic corporation as a whole.

(o) Nothing is this section shall require the business office of a clinic corporation to enroll in the Medi-Cal program, pursuant to subdivision (c) of Section 14043.15 of the Welfare and Institutions Code, or a program specified in Section 1222, as a clinic location subject to the single consolidated license. Each primary care clinic included in the single consolidated license shall be deemed to be licensed for purposes of enrollment as a provider in any health care program. Each primary care clinic, including a mobile health _7_ SB 442

care unit, may separately enroll as a provider in the Medi-Cal program or other health care program using the business address of the primary care clinic.

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(p) Nothing in this section shall affect prospective payment rate calculations made under Section 14132.100 of the Welfare and Institutions Code for individual rural health clinics and federally qualified health centers included in a single consolidated license.

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(q) Nothing in this section shall affect the requirements for obtaining a permit or license from the Board of Pharmacy pursuant to Chapter 9 (commencing with Section 1480) of Division 2 of the Business and Professions Code. Each primary care clinic that is included in the single consolidated license shall be deemed to be licensed as a primary care clinic for purposes of obtaining a pharmacy license or permit.

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(r) Nothing in this section shall affect the requirements for obtaining a clinic laboratory registration or license pursuant to Section 1265 of the Business and Professions Code. Each primary care clinic, including a mobile health care unit, that is included in the single consolidated license shall be deemed to be licensed as a primary care clinic for the purpose of obtaining a clinic laboratory license or registration.

(r)

- (s) Nothing in this section shall require a clinic corporation to apply for a single consolidated license.
- SEC. 3. Section 1213 of the Health and Safety Code is amended to read:
 - 1213. A person, firm, association, partnership, corporation, or other legal entity desiring a license for a clinic shall be exempt from the requirements of Chapter 2 (commencing with Section 16000) of Division 12.5.
 - SEC. 4. Section 1214 of the Health and Safety Code is amended to read:
- 1214. Each application under this chapter for an initial license, 37 renewal license, license upon change of ownership, or special 38 permit shall be accompanied by a Licensing and Certification 39 Program fee, as follows:

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(a) For all primary care clinics licensed pursuant to this chapter, the annual fee shall be set in accordance with Section 1266.

- (b) For all specialty clinics licensed pursuant to this chapter, the annual fee shall be set in accordance with Section 1266.
- (c) For all rehabilitation clinics, the annual fee shall be set in accordance with Section 1266.
- (d) For all clinic corporations issued a single consolidated license pursuant to this chapter, the annual fee shall be set in accordance with Section 1266.
- SEC. 5. Section 1219 of the Health and Safety Code is amended to read:
- 1219. (a) Except for an affiliate clinic, as defined in Section 1218.1, or a clinic corporation that includes, in its application for a single consolidated license, one or more primary care clinics, including one or more mobile health care units, that were primary care clinic or mobile health care unit that was licensed and in good standing as of December 31, 2009, and was included in an application by a clinic corporation for a single consolidated license if a clinic or an applicant for a license has not been previously licensed, the department may only issue a provisional license to the clinic as provided in this section.
- (b) A provisional license to operate a clinic shall terminate six months from the date of issuance.
- (c) Within 30 days prior to the termination of a provisional license, the department shall give the clinic a full and complete inspection, and, if the clinic meets all applicable requirements for licensure, a regular license shall be issued. If the clinic does not meet the requirements for licensure but has made substantial progress towards meeting those requirements, as determined by the department, the initial provisional license shall be renewed for six months.
- (d) If the department determines that there has not been substantial progress towards meeting licensure requirements at the time of the first full inspection provided by this section, or, if the department determines upon its inspection made within 30 days of the termination of a renewed provisional license that there is a lack of full compliance with those requirements, no further license shall be issued.
- (e) If an applicant for a provisional license to operate a clinic 40 has been denied by the department, the applicant may contest the

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denial by filing a statement of issues, as provided in Section 11504 of the Government Code. The proceedings to review the denial shall be conducted pursuant to the provisions of Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

SEC. 6. Section 1229 of the Health and Safety Code is amended to read:

1229. (a) The state department shall notify, in writing, a clinic of all deficiencies in its compliance with the provisions of this chapter, or the rules and regulations adopted hereunder, that are discovered or confirmed by inspection, and the clinic shall agree with the department on a plan of correction that shall give the clinic a reasonable time to correct the deficiencies. During the allotted time, a list of deficiencies and the plan of correction shall be conspicuously posted in a clinic location accessible to public view. If, at the end of the allotted time provided in the plan of correction, the clinic has failed to correct the deficiencies, the department shall assess the licensee a civil penalty not to exceed fifty dollars (\$50) per day, until the state department finds the clinic in compliance. In that case, the department may also initiate action against the clinic to revoke or suspend the license. Nothing in this chapter shall be deemed to prohibit a clinic that is unable to correct the deficiencies specified in a plan of correction for reasons beyond its control from voluntarily surrendering its license pursuant to Section 1245 prior to the assessment of a civil penalty or the initiation of a revocation or suspension proceeding.

(b) Notwithstanding subdivision (a), the department shall notify, in writing, a clinic corporation of all deficiencies in compliance with the provisions of this chapter, or the rules and regulations adopted hereunder, that are discovered or confirmed by inspection, in one or more clinics included in a single consolidated license issued pursuant to Section 1212.5, and the clinic corporation shall agree with the department on a plan of correction that gives the clinic corporation a reasonable time to correct the deficiencies. If, at the end of the time provided in the plan of correction, the clinic corporation has failed to correct the deficiencies, the department shall assess the licensee a civil penalty not to exceed fifty dollars (\$50) per day per clinic cited as deficient, until the department finds the clinic corporation in compliance. The department may also initiate action against the clinic corporation to remove or

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1 suspend the clinic or clinics that are the subject of the deficiencies 2 from the single consolidated license. Nothing in this chapter shall 3 be deemed to prohibit a clinic corporation that is unable, for reasons 4 beyond its control, to correct the deficiencies specified in the plan 5 of correction from voluntarily removing a clinic or clinics from its single consolidated license prior to the assessment of a civil 6 penalty or the initiation of a removal or suspension proceeding. In 8 no case shall the department initiate an action to revoke or suspend the single consolidated license for uncorrected deficiencies outlined in a written notice of deficiencies, in one or more clinics included 10 in a single consolidated license, unless each clinic, including a 11 mobile health care unit, that is included in the single consolidated 12 13 license is cited in the notice of deficiencies and the clinic 14 corporation failed to correct the deficiencies in every clinic within 15 the allotted time period according to the plan of correction.

SEC. 7. Section 1266 of the Health and Safety Code is amended to read:

1266. (a) The Licensing and Certification Division shall be supported entirely by federal funds and special funds by no earlier than the beginning of the 2009–10 fiscal year unless otherwise specified in statute, or unless funds are specifically appropriated from the General Fund in the annual Budget Act or other enacted legislation. For the 2007–08 fiscal year, General Fund support shall be provided to offset licensing and certification fees in an amount of not less than two million seven hundred eighty-two thousand dollars (\$2,782,000).

(b) The Licensing and Certification Program fees for the 2006–07 fiscal year shall be as follows:

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| 31 | Type of Facility | Fee | |
|----|--|--------------|---------|
| 32 | General Acute Care Hospitals | \$ 134.10 | per bed |
| 33 | Acute Psychiatric Hospitals | \$ 134.10 | per bed |
| 34 | Special Hospitals | \$ 134.10 | per bed |
| 35 | Chemical Dependency Recovery Hospitals | \$ 123.52 | per bed |
| 36 | Skilled Nursing Facilities | \$ 202.96 | per bed |
| 37 | Intermediate Care Facilities | \$ 202.96 | per bed |
| 38 | Intermediate Care Facilities - Developmentally | | |
| 39 | Disabled | \$ 592.29 | per bed |

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| 1 | Intermediate Care Facilities - Developmentally | | |
|----|--|------------|--------------|
| 2 | Disabled - Habilitative | \$1,000.00 | per facility |
| 3 | Intermediate Care Facilities - Developmentally | | |
| 4 | Disabled - Nursing | \$1,000.00 | per facility |
| 5 | Home Health Agencies | \$2,700.00 | per facility |
| 6 | Referral Agencies | \$5,537.71 | per facility |
| 7 | Adult Day Health Centers | \$4,650.02 | per facility |
| 8 | Congregate Living Health Facilities | \$ 202.96 | per bed |
| 9 | Psychology Clinics | \$ 600.00 | per facility |
| 10 | Primary Clinics - Community and Free | \$ 600.00 | per facility |
| 11 | Specialty Clinics - Rehab Clinics | | |
| 12 | (For profit) | \$2,974.43 | per facility |
| 13 | (Nonprofit) | \$ 500.00 | per facility |
| 14 | Specialty Clinics - Surgical and Chronic | \$1,500.00 | per facility |
| 15 | Dialysis Clinics | \$1,500.00 | per facility |
| 16 | Pediatric Day Health/Respite Care | \$ 142.43 | per bed |
| 17 | Alternative Birthing Centers | \$2,437.86 | per facility |
| 18 | Hospice | \$1,000.00 | per facility |
| 19 | Correctional Treatment Centers | \$ 590.39 | per bed |
| 20 | | | |

- (c) Commencing February 1, 2007, and every February 1 thereafter, the department shall publish a list of estimated fees pursuant to this section. The calculation of estimated fees and the publication of the report and list of estimated fees shall not be subject to the rulemaking requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.
- (d) Commencing February 1, 2010, and every February thereafter, the department shall publish the estimated fee for a single consolidated license issued under Section 1212.5 pursuant to this section. The calculation of the estimated fee shall be based on a percentage of the fee estimated fee for primary care clinics, for each primary care clinic included in a single consolidated license, and license shall be included in the report and list of estimated fees required by subdivisions (c) and (e).
- (e) By February 1 of each year, the department shall prepare the following reports and shall make those reports, and the list of estimated fees required to be published pursuant to subdivision (c), available to the public by submitting them to the Legislature and posting them on the department's Internet Web site:

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 (1) The department shall prepare a report of all costs for activities of the Licensing and Certification Program. At a minimum, this report shall include a narrative of all baseline adjustments and their calculations, a description of how each category of facility was calculated, descriptions of assumptions used in calculations, and shall recommend Licensing and Certification Program fees in accordance with the following:

- (A) Projected workload and costs shall be grouped for each fee category.
- (B) Cost estimates, and the estimated fees, shall be based on the appropriation amounts in the Governor's proposed budget for the next fiscal year, with and without policy adjustments to the fee methodology.
- (C) The allocation of program, operational, and administrative overhead, and indirect costs to fee categories shall be based on generally accepted cost allocation methods. Significant items of costs shall be directly charged to fee categories if the expenses can be reasonably identified to the fee category that caused them. Indirect and overhead costs shall be allocated to all fee categories using a generally accepted cost allocation method.
- (D) The amount of federal funds and General Fund moneys to be received in the budget year shall be estimated and allocated to each fee category based upon an appropriate metric.
- (E) The fee for each category shall be determined by dividing the aggregate state share of all costs for the Licensing and Certification Program by the appropriate metric for the category of licensure. Amounts actually received for new licensure applications, including change of ownership applications, and late payment penalties, pursuant to Section 1266.5, during each fiscal year shall be calculated and 95 percent shall be applied to the appropriate fee categories in determining Licensing and Certification Program fees for the second fiscal year following receipt of those funds. The remaining 5 percent shall be retained in the fund as a reserve until appropriated.
- (2) (A) The department shall prepare a staffing and systems analysis to ensure efficient and effective utilization of fees collected, proper allocation of departmental resources to licensing and certification activities, survey schedules, complaint investigations, enforcement and appeal activities, data collection and dissemination, surveyor training, and policy development.

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(B) The analysis under this paragraph shall be made available to interested persons and shall include all of the following:

- (i) The number of surveyors and administrative support personnel devoted to the licensing and certification of health care facilities.
- (ii) The percentage of time devoted to licensing and certification activities for the various types of health facilities.
- (iii) The number of facilities receiving full surveys and the frequency and number of follow up visits.
 - (iv) The number and timeliness of complaint investigations.
- (v) Data on deficiencies and citations issued, and numbers of citation review conferences and arbitration hearings.
- (vi) Other applicable activities of the licensing and certification division.
- (f) (1) The department shall adjust the list of estimated fees published pursuant to subdivision (c) if the annual Budget Act or other enacted legislation includes an appropriation that differs from those proposed in the Governor's proposed budget for that fiscal year.
- (2) The department shall publish a final fee list, with an explanation of any adjustment, by the issuance of an all facilities letter, by posting the list on the department's Internet Web site, and by including the final fee list as part of the licensing application package, within 14 days of the enactment of the annual Budget Act. The adjustment of fees and the publication of the final fee list shall not be subject to the rulemaking requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.
- (g) (1) No fees shall be assessed or collected pursuant to this section from any state department, authority, bureau, commission, or officer, unless federal financial participation would become available by doing so and an appropriation is included in the annual Budget Act for that department, authority, bureau, commission, or officer for this purpose. No fees shall be assessed or collected pursuant to this section from any clinic that is certified only by the federal government and is exempt from licensure under Section 1206, unless federal financial participation would become available by doing so.

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(2) For the 2006–07 state fiscal year, no fee shall be assessed or collected pursuant to this section from any general acute care hospital owned by a health care district with 100 beds or less.

- (h) The Licensing and Certification Program may change annual license expiration renewal dates to provide for efficiencies in operational processes or to provide for sufficient cash flow to pay for expenditures. If an annual license expiration date is changed, the renewal fee shall be provided accordingly. Facilities shall be provided with a 60-day notice of a change in their annual license renewal date.
- 10 SEC. 8. No reimbursement is required by this act pursuant to 11 12 Section 6 of Article XIIIB of the California Constitution because 13 the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or 14 15 infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of 16 17 the Government Code, or changes the definition of a crime within 18 the meaning of Section 6 of Article XIII B of the California 19 Constitution.